

UNIVERSITY OF MINNESOTA

**EXTENSION**

# **Property Tax Relief for Forest Landowners**

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Fueling the Future: The Role of Woody Biomass for Energy Workshop

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# Property Tax Class Rates Payable 2010

Class Rate %	Class & Property Description
0.50 1.00	2a. Agricultural Homestead (productive ag land, licensed maple syrup operation, hybrid poplar plantations) first \$1,010,000 over \$1,010,000
1.00	2b. Rural Vacant Land (non-homestead agricultural land and timberland)
0.65	2c. Managed Forest Land
1.00 1.25	4c(1). Seasonal residential recreational, non-commercial first \$500,000 over \$500,000

# Reduce Your Taxes With:

## **Sustainable Forest Incentive Act (SFIA)**

Available since 2001

Pay usual property tax  
Get minimum \$7/acre/year  
incentive payment from  
Department of Revenue

## **2c Managed Forest Land Class (2c Class)**

Available beginning 2008

0.65% property tax class  
rate  
lowest rate for forest land,  
except Ag Homestead

# SFIA Eligibility Requirements

- Enroll at least 20 contiguous acres
- At least 50% is forested:
  - tree stocking level is  $\geq 10\%$  or
  - had tree stocking  $\geq 10\%$  before harvesting or
  - trees newly planted.
- No maximum acreage, but ownerships  $>1,920$  acres must allow year-round, nonmotorized public access to fish and wildlife resources, except within 1/4 mile of a permanent dwelling or during periods of high fire danger.
- May not enroll residential or agricultural land (pasture, hayfields, cropland), or land improved with pavement, sewer, roads, campsites, and other improvements not required for forest management activities.

# SFIA Eligibility Requirements

## continued...

- May include a building or structure used exclusively for management activities. If building is used as temporary or permanent dwelling or to store items not regularly used for management purposes, must exclude at least 3 acres around it.
- May include open water, including rivers, <3 acres. Must exclude larger open water areas.
- May include marshes and other wetlands.
- Owner may be a private individual, corporation or partnership
  - Resident or nonresident of Minnesota.
  - If multiple owners, only one can receive incentive payment.

# SFIA Eligibility Requirements

## continued...

- No delinquent property taxes owed on the land before enrolling, and the taxes remain current while enrolled in the program.
- Land must have an active forest management plan, written within the past 10 years, by a MN DNR approved plan writer.
- Statewide forest management guidelines are used during harvest and management activities.
- You certify the land is not enrolled in Reinvest in Minnesota, Conservation Reserve Enhancement Program, Conservation Reserve Program, Green Acres, Ag Preserves, or 2c Managed Forest Land.
- You agree to enroll land for a minimum of 8 years.

# Enrollment Procedures

Record covenant with county recorder in county where land is located, pledging not to develop the land. (Form available)

- One covenant covers all parcels in a county that you want enrolled.
- To enroll land in more than one county, record a covenant in each county.

# Enrollment Procedures

## continued...

- Complete MN DOR Form TH1, “Sustainable Forest Incentive Act Enrollment Application”
- Attach copy of:
  - Covenant
  - Legal description of real property
  - Property tax statement
  - Management plan map
- Send by September 30 to MN DOR to receive payment following year.

# Enrollment Procedures

## continued...

- MN DOR will approve or deny application within 90 days.
- If application denied:
  - You can appeal.
  - If appeal denied, within 90 days MN DOR will send document releasing land from covenant.

# Annual Certification Letter & Payment

If application approved:

- By July 1 every year, MN DOR will send landowner a certification letter asking you to:
  - sign the letter, attesting that requirements for continued enrollment are currently being met,
  - report any changes to parcel information,
  - return certification by August 15.
- Landowner receives annual incentive payment by October 1. (Payment is taxable income.)

# SFIA Payment

MN DOR determines payment-per-acre rate using 3 formulas:

1. Difference between previous year's statewide average per acre 2b vacant rural land tax and hypothetical tax based on statewide current use value per acre for vacant rural land.
2. 2/3 of previous year's per acre net tax levied on 2b rural vacant land.
3. \$7.00 per acre minimum.

**Landowner receives highest value from 3 formulas.**

**“\$8.61/acre in 2008”**

# To End the Covenant

- Enrollment is for 8-year minimum.
- Landowner must wait 4 years before initiating withdrawal procedures.
- When landowner notifies MN DOR of wish to withdraw, actual withdrawal occurs on January 1, of 5th calendar year after notice.
- Once withdrawn, a parcel cannot be re-enrolled for 3 years.

# Questions on SFIA?



# Class 2c Managed Forest Land Eligibility Requirements

- Enroll at least 20 acres in contiguous parcels.
- Maximum 1,920 acres enrolled statewide per taxpayer.
- Be unplatted property that is rural in character.
- Not used for agricultural purposes.
- No structure, except:
  - A minor nonresidential structure <300 sq. ft. does not disqualify the property;
  - Occasional overnight use for hunting or other outdoor activities shall not preclude a structure from being considered a minor, ancillary structure.

# Class 2c Eligibility Requirements continued...

- Parcel must be split classified with at least 10 acres assigned, if
  - any structure or group of structures totals >300 sq. ft, or
  - if any structure is used residentially on more than an occasional basis,
  - or if there is an improved building site with water, sewer or electrical hook-ups for residential purposes.
- Parcel must be split classified if it has more than one use,
  - land covered under a forest management plan classified 2c (if an application has been made) and
  - remaining land classified according to its use.
- May include open water, including rivers, <3 acres. Must exclude larger open water areas.
- May include marshes and other wetlands.
- Land has an active forest management plan, written within past 10 years, by a MN DNR approved plan writer.
- Land not enrolled in SFIA program, CRP, CREP, RIM, or Green Acres.

# Class 2c Application Procedures

- Complete MN DOR application form CR-2cMFL-08.
- Attach forest management plan.
- Send application to county assessor by May 1.

# Comparison

<b>SFIA</b>	<b>Class 2c</b>
<b>20 acre minimum, contiguous forestland</b>	<b>20 acre minimum, in contiguous parcels</b>
<b>No maximum acreage enrolled</b>	<b>1,920 acre maximum enrolled</b>
<b>Public access required if &gt; 1,920 acres</b>	<b>Public access not required</b>
<b>Exclude 3 acre minimum for building</b>	<b>Exclude 10 acre minimum for building</b>
<b>8 year minimum enrollment; 4 years to end agreement</b>	<b>1 year minimum enrollment</b>
<b>Pay usual property tax. Get \$7 /acre/year minimum incentive payment (\$8.61/acre in 2008)</b>	<b>Pay 0.65% Property Tax Class Rate</b>

# Forestry Assistance

Certified plan writers available from

- MN DNR
- Private Forest Management Partners
  - SWCDs
  - Consultants

Services:

- Provide application forms
- Determine eligible acres
- Provide management plan (revise out-dated plan or write new plans)
- Answer questions

# Forest Management Assistance continued...

If landowner does not want to wait for free service, contract with a consultant or SWCD forester--get list from DNR.

Minnesota Assoc. of Consulting Foresters  
[www.paulbunyan.net/users/norfor/](http://www.paulbunyan.net/users/norfor/)

Note: some consulting foresters may not be MACF members, but still write plans.

# For More Information

## **SFIA, contact MN DOR:**

- (651) 556-6088
- [Proptax.questions@state.mn.us](mailto:Proptax.questions@state.mn.us)
- Applications available at: [www.taxes.state.mn.us](http://www.taxes.state.mn.us)

## **Class 2c Managed Forest Land:**

- Your county assessor
- Applications available at: [www.taxes.state.mn.us](http://www.taxes.state.mn.us)
- MN DOR

Drew Imes, State Program Administrator

(651) 556-6084

[Drew.Imes@state.mn.us](mailto:Drew.Imes@state.mn.us)

## **Forestry: MN DNR**

# Questions about Class 2c or SFIA?

